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From: William T Fujioka *W. T. Fujioka for*
Chief Executive Officer

WASHINGTON, D.C. UPDATE ON BIPARTISAN BUDGET ACT OF 2013

Executive Summary

Before adjourning for 2013 at the end of last week, Congress cleared the Bipartisan Budget Act (H.J. Res. 59), which will increase discretionary spending caps for Federal Fiscal Years (FFYs) 2014 and 2015, reduce the net Federal budget deficit by an estimated \$23 billion over 10 years, and revise Medicaid Disproportionate Share Hospital (DSH) funding for FFYs 2014, 2015, 2016, and 2023. The President signed H.J. Res 59 into law on December 26, 2013.

Congress adjourned without extending a number of major laws and programs which will expire soon, including emergency Unemployment Insurance benefits and certain tax provisions, which will expire on December 31, 2013; the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families Block Grant, which will expire on January 15, 2014; and the suspension of Federal debt limit, which will end on February 7, 2014. Conference negotiations on the Water Resources Development Act reauthorization legislation also were not completed.

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Bipartisan Budget Act of 2013 (H.J. Res. 59)

The Bipartisan Budget Act of 2013 increases the overall discretionary spending caps to \$1.012 trillion in FFY 2014 and \$1.014 trillion in FFY 2015, which are small increases over the post-sequester FY 2013 level of \$986 billion, but lower than the \$1.043 trillion in enacted appropriations for FFYs 2012 and 2013. It also reduces the net Federal budget deficit by an estimated \$23 billion over 10 years through a combination of mandatory spending cuts and revenue increases, none of which would significantly affect the County.

Of major interest to the County, the bill revises the Affordable Care Act's (ACA) Medicaid DSH reductions by eliminating the \$500 million FFY 2015 DSH cut, shifting the \$600 million FFY 2015 DSH cut to FFY 2016, and imposing a \$4.3 billion DSH cut in FFY 2023. Under current law, FFY 2022 is the last year in which DSH funding is cut. It had been widely expected that Medicaid DSH cuts would be extended for an additional year through FFY 2023, just as the ACA previously had been amended to extend DSH cuts into FFYs 2021 and 2022. The ACA's Medicaid DSH cuts were based on the premise that its health coverage expansions would reduce hospitals' uncompensated care costs. Postponing DSH cuts to FFY 2016 provides time to ascertain the initial fiscal impacts of the ACA before cuts are imposed on hospitals.

The Act also includes a Medicare "doc fix" to avert a scheduled Medicare physician payment reduction, and extends transitional medical assistance (TMA) for low-income families who otherwise would lose Medicaid eligibility due to earned income increases for three additional months through March 31, 2014. Both houses of Congress are working on permanent Medicare doc fix legislation and a longer TMA extension.

FFY 2014 Appropriations

When Congress reconvenes on January 6, 2014, it will have to quickly act on FFY 2014 legislation because all Federal programs and operations currently are temporarily funded under a Continuing Resolution (CR), which expires on January 15, 2014. The bipartisan agreement on overall discretionary spending caps will facilitate the enactment of appropriations for FFYs 2014 and 2015. Senate and House Appropriations Committees previously had marked up FFY 2014 appropriations bills using widely divergent spending caps -- \$1.058 trillion in the Senate and \$967 million in the House. None of the 12 individual FFY 2014 appropriations bills have been enacted yet. It is expected that Congress will attempt to enact FFY 2014 appropriations through a single omnibus appropriations bill to speed passage of final FFY 2014 appropriations.

Supplemental Nutrition Assistance Program

Congress also will need to reauthorize the Supplemental Nutrition Assistance Program (SNAP), which will expire on January 15, 2014. The legislative vehicle for reauthorizing SNAP is the Farm Bill, which also would reauthorize other United States Department of Agriculture (USDA) programs. On December 12, 2013, the House passed H.R. 3695, which would extend SNAP and other USDA programs through January 31, 2014. The Senate, however, did not act on H.R. 3695 because Senate Democratic leaders believe it would lead to further delays in enacting a Farm Bill. Monthly SNAP benefits for January 2014 are issued at the start of the month and, therefore, do not need to be extended by H.R. 3695 through the end of January. The chairs of the Senate and House Agriculture Committees indicate that they plan to release the framework for the conference agreement on the Farm Bill after Congress reconvenes in January.

Temporary Assistance for Needy Families

The Temporary Assistance for Needy Families (TANF) Block Grant, which helps to fund CalWORKs in California, also expires on January 15, 2014. An omnibus appropriations bill would be a potential legislative vehicle of extending TANF. Since TANF was established under the 1996 welfare reform law, a multi-year TANF reauthorization bill has been enacted only once in 2005. Instead, the program frequently has been extended for short periods of time through CRs and omnibus appropriations bills.

Emergency Unemployment Insurance Benefits

Congress adjourned for 2013 without extending emergency Unemployment Insurance (UI) benefits that will expire on December 31, 2013. In California, the emergency UI benefits provide 37 weeks of Federal-funded UI benefits after the 26 weeks of State-funded UI benefits run out for the long-term unemployed. Roughly 222,000 unemployed Californians, including nearly 54,000 in Los Angeles County, will lose UI benefits at the end of 2013. The Department of Labor estimates that a total of 836,100 unemployed Californians could lose emergency UI benefits through December 2014.

Expiring Tax Provisions

Congress also adjourned for 2013 without extending dozens of tax provisions that will expire on December 31, 2013. The expiring tax provisions include the New Markets Tax Credit and Empowerment Zone tax incentives which are designed to promote investment in low-income communities.

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Water Resources Development Act

Conference negotiations to reconcile differences between the Senate and House versions of legislation (S. 601 and H.R. 3080) to reauthorize the Water Resources Development Act (WRDA), which authorizes Army Corps of Engineers projects and activities, have been progressing slowly. The slow progress is not surprising because, since 2000, WRDA has been reauthorized only once in 2007 and not at all since the current ban on Congressional earmarks was imposed. The earmark ban makes the process for selecting new water projects more important -- and contentious.

Suspension of Federal Debt Ceiling

The FFY 2014 Continuing Resolution (Public Law 113-46), which was enacted on October 17, 2013, suspended the Federal debt ceiling through February 7, 2014. It currently is estimated that the Federal government will be completely unable to borrow funds to pay its bills by late February or early March. Federal debt ceiling legislation is "must sign" legislation, which, in the past, has been used to seek concessions in exchange for raising the debt ceiling.

We will continue to keep you advised.

WTF:RA
MR:MT:ma

c: All Department Heads
Legislative Strategist